

***Congress of the United States***  
**Joint Economic Committee**  
**Minority**

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**FORTNEY PETESTARK, CA**  
RANKING MEMBER

June 6, 2000

**Microsoft Denies Rights to a Third of Its Workers**

Dear Colleague:

Up to a third of Microsoft's workforce – people who work for Microsoft, sit at Microsoft desks, use Microsoft equipment and fill-out Microsoft time-sheets – are denied basic employee-rights. The report on the other side details several of the irregularities concerning Microsoft treatment of thousands of its employees.

Please contact the Washington Alliance of Technology Workers for more information.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Stark", written in a cursive style.

Pete Stark, MC  
Ranking Member

June 5, 2000

**Microsoft's "Temporary" Worker Employment Practices**

Microsoft has long relied on thousands of contract workers to produce most every software product, Web site, or documentation manual the company makes. Although many of these workers are employed at the company for years on end, working side-by-side with regular full-time employees, Microsoft labels them as "temps" and payrolls them through a variety of staffing companies. This employment relationship typically results in lower compensation, less access to medical benefits, erosion of workplace rights, and no job security.

While Microsoft is not alone in payrolling a large percentage of its workforce through staffing agencies, the company has taken the practice to new heights in the software industry. Microsoft's practice of contracting out thousands of regular, full-time jobs should also be viewed in the context of the growing use of "contingent" work by employers around the nation, who increasingly rely on such employment practices to shave labor and benefit costs, and to undermine the ability workers to exercise their legal right to organize and form unions.

**How does Microsoft Use Contract Workers?**

On any given day, Microsoft employs more than 5,900 workers through staffing companies. At least 5,000 of these workers – or approximately 25 to 35 percent of the company's total Seattle-area workforce – are employed in the Puget Sound region. Nearly all of these contract employees work on location at Microsoft, under the direction of Microsoft managers, using Microsoft equipment, and can be hired or fired by Microsoft. Contrary to company claims that contractors are used merely for short-duration projects, Microsoft often uses contractors for long periods of time, in positions of indefinite duration, in every significant division at the company. The relationship between most Microsoft contractors and their agency, their ostensible "employer", is tenuous at best. A majority of these workers report having no contact at all with their agency in a typical month, other than receiving a paycheck.

In addition, Microsoft employs over 12,000 "vendor" employees worldwide. Microsoft uses the term "vendor" both to indicate independent contractors and employees who work through designated vendor companies. Many of these workers are also employed full-time in Microsoft facilities, although, like agency "temps," they do not show up on the company's payroll.

**The Effects of a Contract Employment Relationship on Workers**

Microsoft workers who are payrolled through temporary employment agencies generally earn less in total compensation, have inferior benefits, and enjoy fewer legal protections than regular Microsoft employees. Because of a Washington state law that was passed in 1997, many of these workers no longer get time-and-a-half pay for overtime. Microsoft temporary workers do not receive stock options, they have no job security and they typically have no sick leave or holiday pay. Health benefits available through the staffing agencies they must use are generally sub-par. Co-pays are high and coverage is low. They usually must pay excessive rates for any spousal or dependent coverage. And they typically must cover all of their training and skills upgrade costs out of pocket.

In addition, this employment relationship currently allows Microsoft to deny thousands of current and former contractors access to personnel files kept on them by Microsoft. This is in violation of Washington state law, which guarantees all employees the right to access, and to rebut if necessary, any and all personnel files kept on them by employers. Microsoft uses its personnel files to rate performance, as well as the "eligibility" of workers for future contract or regular full-time employment at the company. Copies of files given to WashTech by company sources indicate that Microsoft has blacklisted contract workers for discussing pay, for having a disability, and for simply being accused of a crime (guilty until proven innocent...)

Contrary to Microsoft's public statements, a majority of Microsoft contractors do not "choose" this contract employment relationship. Given a choice, an overwhelming majority say they would rather be regular, full-time employees of Microsoft.

**Contingent Work Nationally**

Microsoft's heavy reliance on full-time contractors to perform key functions of the company is extreme within the software industry, but the overall practice is by no means unique to Microsoft. The growth of the staffing industry nationwide has been outpacing overall economic growth, as employers in all states seek to shave benefit and labor costs by employing full-time contractors rather than regular employees. The growth of the staffing industry also has detrimental effects on worker rights, as many state and federal and worker protections are effectively undermined when employers launder workers through third-party payroll agencies.

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